

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

DIVISION OF COMMUNITY AFFAIRS

Community Development Block Grant Program

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**CDBG**

Community Development Block Grant Program

MANAGEMENT MEMORANDUM

Memorandum Number 03-3

To: All Eligible Jurisdictions and Interested Parties Date: February 18, 2003**Subject: CORRECTIONS TO THE 2002 CDBG GRANT MANAGEMENT MANUAL****Chapter 14, Program Income**

Chapter 14 of the 2002 State CDBG Grant Management Manual (GMM) erroneously contained, on the bottom of page 14-2, in a section entitled, "What is not considered program income?" the following statement:

"Net proceeds from the disposition by sale or long-term lease of real property acquired or improved with CDBG funds if the disposition occurs five years after grant closeout."

Conversely, such net proceeds **would be** CDBG Program Income, regardless of the passage of time. Please either replace page 14-2 with the corrected page (attached) or strike the above language from your GMM.

Chapter 10, Reporting – Faxed Reports not Allowed

Please see the attached replacement page 10-1 of the 2002 State CDBG Grant Management Manual clarifying that faxed copies of required reports are not allowed. It has always been the State CDBG Program's policy to require that **signed originals** of all reports, along with the required number of copies, **be received by the Department by the given due dates**. Starting February 15, 2003, faxed reports will not be considered "received".

New Records Retention Periods – Corrections

We have revised a number of pages in the 2002 Grant Management Manual (GMM) to correct the specified record retention periods in accordance with 24 CFR 570.502-503, which was revised January 5, 1995. The changed portions of these pages have been identified with **bold and underline** text effects. We have attached,

for you to insert in your 2002 Grant Management Manual, the following replacement pages: 1-6; 2-2; 2-20; 4-8; 5-6; 5-7; 5-42; 6-45; 7-3; 10-1; 12-78; and 20-13.

Management Memo 03-03

February 18, 2003

The new record retention period for grantees and subrecipients is at least four years from the date the grantee submits its final expenditure report (Closeout Financial and Accomplishment Report – “Closeout FAR”) to the Department under a standard agreement. In some cases a grantee should maintain records for a longer period. An example is a real estate transaction in which the grantee makes a loan for a greater period than four years. In that case, all records for that transaction should be maintained for at least the number of years that there is an outstanding obligation. Records that pertain to something a grantee is being sued or audited over must be kept until the issue is resolved or for the above period, whichever is longer. In the case of equipment, the starting date is at the end of the equipment’s use when it is disposed of, replaced, or transferred. Records relating to program income have a starting date equal to the last date of the grantee’s fiscal year in which the income is earned.

Note: Until such time as the above sources of revenue (net the costs of obtaining the revenue) reach, or are expected to reach, \$25,000 in a single FY (July 1-June 30), they are classified as **Program Revenue (PR)** rather than PI. If the \$25,000 threshold is reached during the FY, all such income is classified as PI. If the \$25,000 threshold is not reached during the FY, then the revenue may be considered "Miscellaneous Revenue", as below.

What is Not Considered Program Income?

- If total PR from all CDBG activities is less than \$25,000 for an entire fiscal year, this is considered "Miscellaneous Revenue" (as discussed above). MR may be spent on any local activity, not just CDBG-eligible activities. However, the jurisdiction must still complete and submit Quarterly and Annual Program Income Reports, as described in Chapter 10 of this manual, if the jurisdiction could potentially receive any PI. Note that if the PR is over \$25,000, all such revenue is PI, including the first \$25,000.
- Costs that are incidental to the collection of PR may be deducted from the gross PR to determine net PR.
- PI does not include interest earned on open grant advances from the Department. Any interest earned on grant advances must be forwarded to the Department (see Chapters 9 and 13).
- Revenue from 1992 CDBG grants, or earlier, may not be PI if there has been a subsequent gap between open grants. Jurisdictions must provide documentation of such funding gaps and receive written approval from the Department before ceasing to report the revenue from such pre-1993 grants. PI generated from 1993 or later grants, regardless of gaps between open grants, continue to be defined as PI.
- Unspent CDBG loan/grant funds (for example, if a grantee made a \$40,000 loan to rehabilitate a dwelling but the final cost to rehabilitate the dwelling was \$35,000, the \$5,000 difference would reduce the \$40,000 loan to \$35,000 and the \$5,000 would be returned to the grantee loan pool as unspent funds, not program income.)
- ~~Net proceeds from the disposition by sale or long-term lease of real property acquired or improved with CDBG funds if the disposition occurs five years after grant closeout.~~

CHAPTER 10

REPORTING

I. INTRODUCTION.

This chapter explains the various reports you must submit regarding your CDBG grant, Program Income (PI), and/or Revolving Loan Account (RLA) activities.

II. GRANTEE RESPONSIBILITIES.

You are responsible for monitoring all grant-supported activities to assure that time schedules are being met and milestones accomplished. You are also required to annually report on your PI and RLA activities (see D. and E. below). Failure to meet reporting requirements may at a minimum affect your rating on future CDBG funding applications, and may preclude you from applying.

This section gives instructions for completing the required periodic performance reports (included in Section VI, "Supporting Materials"). **Note that the due dates given are the dates by which the Department should receive the signed and dated original reports along with the required number of copies. Facsimiles will not be accepted.**

- A. Financial & Accomplishment Report (entire report due quarterly and at closeout)
 - 1. Section I – Cash Status (see Chapter 9) and Accrued Expenditures & Milestones
 - 2. Section II – Expenditure of Match/Leverage & Program Income
 - 3. Section III - Residential Rehabilitation Loan Account (if applicable)
 - 4. Section IV – Interest Revenue Earned on Advances (if applicable)
 - 5. Section V – Lump Sum Drawdown (if applicable)
 - 6. Section VI – Comments
 - 7. Accomplishment Report – Narrative Accomplishments
- B. Returned Funds Form
- C. Closeout Certification Form
- D. Economic Development Progress Report (semi-annual, due by 4/30 and 10/31)
- E. Wage Compliance Reports
 - Semi-annual (due by 4/30 and 10/31)
 - Final (due 30 days after construction completed)
- F. Program Income Reports
 - 1. Quarterly (due by 1/31, 4/30, 10/31)
 - 2. Annual (due by 8/15)
- G. Grantee Performance Report (annual, due by 8/15)
- H. Section 3 Report (annual, due by 8/15)

- 5) Keep all program records for at least: **four years from the date the grantee submits its final expenditure report (Closeout Financial and Accomplishment Report - “Closeout FAR”) to the Department under the standard agreement; or four years from the conclusion or resolution of any audits or lawsuits relevant to the agreement between grantee and contractor, whichever is later;**
 - 6) Allow the Department, HUD or other State or federal agencies to access all relevant records for grant monitoring or auditing purposes. (See Chapter 7 for recommendations on how to organize program records, and Chapters 11 and 12 for detail on audits and monitoring.)
19. **Obligations of Grantee with Respect to Certain Third Party Relationships.** Regardless of whether the grantee designates another party or contracts out any work under this contract, the grantee is still responsible for performing the work, meeting all conditions of the contract, and ensuring the program is carried out in accordance with all the State and federal requirements the grantee assured or certified to in its application.
20. **Signs.** If the grantee places a sign on the project property (such as for a community center, public works project, new housing complex) indicating the funding sources, list the State CDBG program in a size and typeface proportional to its share of project funding. Signs may or may not be placed on projects for individual homes or businesses assisted with CDBG funds depending on the local policy and the preference of the individuals assisted.
21. **Audit/Retention and Inspection of Records.**
- a. The grantee must have intact, auditable fiscal records at all times. If there is a missing audit or audit(s) during the term of the contract, the grantee must submit for State review and approval a plan for submitting the audit(s). If the grantee subsequently fails to meet the deadlines established in the plan, the Department may terminate the contract. (See Chapter 7 for guidance on accounting and recordkeeping.)
 - b. The grantee must keep all books and records pertaining to the contract for at least **four years from the date the grantee submits its final expenditure report to the Department under the contract.** The grantee must allow access to the books and records by the State, Department, federal government and Bureau of State Audits or their representatives with or without prior notice.

USING CONTRACTORS

Contractors Defined

Contractors are program operators who are procured competitively. For-profit entities are competitively procured and considered to be contractors. Under limited circumstances, private for-profits may be selected as subrecipients for certain activities. See “Subrecipients Defined” on next page. Typically, grantees use a contractor when:

- The project is a discrete activity and does not involve program management or administration;
- There will be a specific activity under contract with a clearly defined beginning and end date;
- The specific activity undertaken by a contractor may be a physical project (like a multi-family rehabilitation) or a social service activity (like running a day care center or a housing rehabilitation program.)

Contractor Procurement

Contractors must be procured competitively (See Chapter 8) according to Federal Office of Management and Budget (OMB) rules.

Agreements With Contractors

Grantees must enter into agreements with contractors. In order to meet HUD and State CDBG Program requirements, agreements with contractors must address the following:

- Scope of services to be provided, consistent with the State contract
- Identification of intended beneficiaries, if applicable
- Schedule for work completion
- Budget and payment schedule
- Provisions for termination for non or poor performance
- Other provisions required regarding:
 - Equal opportunity (see Contract Att. B.7; GMM, Chapter 4)
 - Nondiscrimination (see Contract Att. A.2; GMM, Chapter 4)
 - Labor standards (see Contract Att. B.9; GMM, Chapter 5)
 - Anti-lobbying (see Contract Att. B.1)
 - Conflict of interest (see Contract Att. B.5)
- Provisions for maintenance of workers' compensation insurance (see Contract Paragraph 18 (b) (3))
- Provisions for maintenance of unemployment disability and liability insurance, as required (see Contract Paragraph. 18(b)(4))
- Provisions for records retention (min. **4 yrs. from submittal of final reports or conclusion of any audit or litigation**) (Contract Paragraph 18(b)(5))
- Provision permitting monitoring/auditing (Contract Paragraph 18(b)(6))
- Provision that grantee will monitor for conformity with its State contract.

Term of Contracts

The term of contracts cannot exceed three years according to federal procurement rules.

- a. Records providing a full description of each activity undertaken;
- b. Records demonstrating that each activity undertaken meets one of the National Objectives of the CDBG program;
- c. Records required to determine the eligibility of activities;
- d. Records required to document the acquisition, improvement, use or disposition of real property acquired or improved with CDBG assistance;
- e. Records documenting compliance with the fair housing and equal opportunity components of the CDBG program;
- f. Financial records as required by 24 CFR Part 570.502, and OMB Circular A-110; and
- g. Other records necessary to document compliance with Subpart K of 24 CFR 570.

2. Retention

The Subrecipient shall retain all records pertinent to expenditures incurred under this contract for a period of **four (4) years from the date the final expenditure report is submitted by the Grantee to the Department under the standard agreement.** Records for non-expendable property acquired with funds under this contract shall be retained for **four (4)** years after final disposition of such property. Records for any displaced person must be kept for **four (4)** years after he/she has received final payment. Notwithstanding the above, if there is litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the four-year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the four-year period, whichever occurs later.

3. Client Data

The Subrecipient shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, income level or other basis for determining eligibility, and description of service provided. Such information shall be made available to Grantee monitors or their designees for review upon request.

4. Disclosure

The Subrecipient understands that client information collected under this contract is private and the use or disclosure of such information, when not directly connected with the administration of the Grantee's or Subrecipient's responsibilities with respect to services provided under this contract, is prohibited by the *[insert applicable State or Federal law]* unless written consent is obtained from such person receiving service and, in the case of a minor, that of a responsible parent/guardian.

5. Property Records

The Subrecipient shall maintain real property inventory records which clearly identify properties purchased, improved or sold. Properties retained shall continue to meet eligibility criteria and shall conform with the "changes in use" restrictions specified in 24 CFR Parts 570.503(b)(8), as applicable.

D. Employment.

1. Required actions. You must not deny the opportunity for employment in any CDBG program or activity on the basis of race, color, religion, age, ancestry, marital status, physical handicap, national origin, sex, medical condition, or any arbitrary basis. Where discriminatory actions have been found as a result of a compliance review or court action, affirmative action must be taken to overcome the effects of that discrimination.

To the greatest extent feasible, you are required to provide facilities such that persons with disabilities can have the opportunity to apply for training and employment arising out of the CDBG programs. **See Section F.2.a and b. of this Chapter for specific requirements.**

You should have a formal policy concerning nondiscrimination in employment, and should designate a person to oversee compliance.

For Section 3 employment opportunities: Grantees with open grant awards that are \$200,000 or more must take affirmative actions to assure that employment and training opportunities created administration of these grants are marketed to local Section 3 residents. Furthermore, any subcontracting opportunities created, as part of grant or program administration will require the grantee to market them to local Section 3 businesses. The grantee must use the necessary documents to show that the any job or employment opportunities created by the project were marketed to Section 3 individuals and businesses, the number of Section 3 persons and or businesses who benefited, and if no Section 3 beneficiaries then explain why. Part E of this chapter has details of what Section 3 regulations are in place and how to comply. See the Chapter Supporting Materials Pages 4-48 through 4-55 for sample documents needed for the grantee to comply with Section 3 regulations.

1. Required record keeping and files. You must keep, **for at least four years from the date the final expenditure report is submitted to the Department under your** grant and completion of all audits and litigation, copies of all plans, documents, brochures, announcements, and actions related to the recruitment, employment, lay-off, termination, training, upgrading, demotion, transfer, rates of pay and demographic characteristics of employees paid with CDBG funds. Information on the race, ethnicity, gender, age, and physical handicap of applicants and interviewees must be requested but cannot be required as part of an application for employment. All information obtained must be kept on file.

All documentation of employment and contracting opportunities generated and the good faith efforts to train and/or hire low-income residents of your jurisdiction must also be included in the files.

wages on construction projects with CDBG funding is required by law, and that the purpose of the interview is to obtain information for use in determining whether the required wages are being paid. He/she shall inform the worker of the specific location at which the applicable wage determination decision is posted at the project site.

- c. Mail Interviews. Employees and former employees may be interviewed by mail. Lack of response from a worker interviewed by mail does not meet the requirement.
 - d. Interview Time. If the interview is conducted on the job site, it shall be arranged causing the least inconvenience to the employer and employee.
 - e. Oral Interview Statements. An employee interview need not be recorded in a signed statement when it serves merely to confirm what the records reveal, and is not otherwise indicative of a violation, assuming no violation has been alleged and the records are adequate. For compliance review purposes, however, the number of such interviews should be recorded.
 - f. Interview Form. Employee interviews should be recorded on Form HUD-11, Record of Employee Interview or a comparable form.
3. Weekly payroll review. The labor standards coordinator should review weekly payrolls and other basic records during routine compliance enforcement activity on every construction project. Submitted payrolls shall be examined to assure compliance with labor standards. In examining payrolls, verify that only classifications appearing on the wage determination are used and check for disproportionate employment of laborers, helpers, apprentices or trainees. Such payrolls and statements shall be produced at any time during the normal four-year term in which records must be maintained. When reviewing payrolls, monitor the following items:
- a. Payroll Forms. Contractors may use the optional Department of Labor Optional Form WH-347, Payroll. The text of the "Weekly Statement with Respect to the Payment of Wages," which is required by regulations of the Secretary of Labor, appears on the reverse side of this payroll form. A contractor may use an appropriate payroll form of his/her own choice, but must report all required items of information and must also submit a copy of the weekly statement, using either Department of Labor Form WH-348, Statement of Compliance, which contains the weekly statement and related instructions, or any form containing the identical wording contained in these forms.
 - b. Fringe Benefits. The required weekly Statement of Compliance, form WH-348, includes statements concerning the payment of fringe benefits in addition to statements concerning the payment of the basic hourly wage rates.
 - c. Payrolls Must Be Obtained and Examined Promptly - Payroll Retention. The labor standards coordinator shall insist upon prompt, preferably within seven working days, submission of all payrolls. You shall withhold funds from the contractor if excessively delinquent in submitting payrolls. Payrolls should be dated upon receipt and also dated and initialed upon review. The payrolls shall be examined upon receipt so that any necessary corrective action may be immediately initiated, and may be accomplished while the workers are still available. Your coordinator should give special attention to each project during the early stages of construction to determine whether the prime contractor is meeting his/her responsibilities regarding payrolls. Spot checking of payrolls is permissible if after a review of four or five weeks of payrolls reveals no significant problems. You must retain payrolls for **four years from the date the final**

expenditure report is submitted to the Department under the standard agreement and then you may destroy them unless an investigation, disputed compliance action, or appeal remains outstanding. Contractors and subcontractors must retain their basic payroll records (payroll register, individual earning cards, etc.) for the same four-year period.

- d. Addresses and Social Security Numbers. Each worker's address and social security number must be reported on the first payroll on which his/her name appears. It is permissible for the contractor to omit the worker's social security number on subsequent payrolls if the contractor reports the worker's name on all payrolls in the identical form in which it was reported on the first payroll, and the contractor has no other worker with the same name. It is permissible for the contractor to omit the worker's address on subsequent payrolls if the contractor will report the worker's new address if and when an address change occurs.
- e. Incomplete Payrolls. Payrolls shall be examined to determine if they include all of the required items of information. Except where falsification is suspected, an incomplete payroll shall be returned to the prime contractor for completion. In most cases, it will be better to request the prime contractor to supply the missing information by means of a new or supplemental payroll or a supplemental statement. If a payroll is false, it shall not be returned to the contractor, and a report of such finding shall be referred to the Department.
- f. Classification and Wage Rates. To determine if the rate reported on the payroll is at least equal to the rate required by the wage rate decision, compare the classification and wage rates on the payroll with the corresponding items on the applicable wage determination. If a lesser wage rate is found, request in writing the contractor to begin paying the required wage rate immediately and to make restitution to workers for past underpayments.
- g. Computations. Payroll computations shall be spot-checked to determine whether the payrolls are accurate. Scattered minor errors may be ignored. If such errors are numerous, however, the contractor should be requested in writing to exercise more care in preparing the payrolls.
- h. Deductions. Deductions shall be reviewed for any non-permissible items. Permissible deductions include medical or hospital care, pensions or retirement, compensation for injuries or illness resulting from occupational activity, unemployment benefits, life insurance, or accident insurance, vacation or holiday pay, defraying costs of apprenticeship or similar programs. Questions concerning permissibility of fringe benefits must be referred to the Department for determination.
- i. Signature. The statement of compliance for the payroll must be signed by the owner, officer, or designated employee of the contractor. Written authority must be furnished by owner or officer of the contractor where a designated employee signs the payrolls.
- j. Requests by Outside Parties for Payrolls. To protect the personal privacy interests of employees, copies of weekly payrolls containing the individual's salary, work hours, claimed exemptions and tax status, address and social security number shall not be released to outside parties and may be withheld under Exemption 6 of the Freedom of Information Act unless any identifiers are first deleted. When payrolls are in the possession of a State or local government, then the applicable State law will govern

1. Certification of Understanding and Authorization which certifies that the proper officials have read and understand the minutes of the Pre-construction Conference on Labor Standards Provisions and Related Matters; and identifies the person(s) who is authorized to sign the weekly certified payroll reports.
2. Certification for Applicable Fringe Benefit Payments which identifies the method by which the contractor/subcontractor will meet any obligation for fringe benefits which may be contained in the wage decision, and any plans, funds, or programs to which such payments will be made.
- b. Internal Revenue Service Employer Identification Number. This assigned number must be furnished by each subcontractor on their first payroll report.

12. Weekly Certified Payroll Reports and Related Records

- a. Payroll forms are available for purchase from the U.S. Government Printing Office Bookstore, or from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, in pads of 100, including one instruction sheet. Contractors may reproduce the payroll form to create an ample supply.
- b. The weekly certified payroll reports and basic records relating thereto (e.g., timecards, canceled payroll checks) shall be maintained during the course of the work and preserved for a period of **four years from the date the final expenditure report is submitted by the Grantee to HCD under the standard agreement.**

The contractor and all subcontractors shall make the records required under the labor standards clauses of the contract available for inspection by authorized representatives of HCD, HUD and the Department of Labor, and shall permit such representatives to interview employees during work hours on the job site. The subcontractors shall also make such records available to, and permit interviews by, authorized representatives of the contractor.

- c. The original copy of all payroll reports, including those of all subcontractors, shall be submitted weekly to the grantee by the prime contractor. The copy of each payroll shall be accompanied by a "Weekly Statement of Compliance," which is either the reverse of the Payroll Form WH-347 or the "Statement of Compliance". The Statement of Compliance shall be executed with an original signature by the employer (owner, partner, corporate officer) or designated payroll officer for whom we have received authorization. The grantee will not accept any payrolls that have been endorsed with a signature stamp.
- d. Each contractor's payrolls shall be numbered consecutively, beginning with #1. The first payroll shall contain the name, address, and social security number of each employee. The last payroll for each contractor for this project shall be clearly marked "FINAL."
- e. Each payroll shall contain for each employee: the correct work classification (in accordance with the wage decision); the actual daily and weekly hours worked on this project; the hourly rate of pay; the gross wages earned; the deductions made; and the net wages paid. If additional wages were earned for work at another project, the employer may include such additional wages under Column 7 of the payroll as follows: \$350.00/\$600.00 (wages for this project /total for all projects). For these cases, the deductions and the net wages may be computed based upon the total weekly earnings.

13. Working Subcontractors - A bona fide subcontractor, with an established business, and who performs work on the job site with their crew, must list on the payroll all personnel engaged in the contract work. As the owner of the firm, for themselves, they need list only their name, work classification/owner, their hours worked each day, total hours for the week and effective rate of pay on the payroll.

must issue a written Notice of Intent to Displace usually within 30 days of the date specified for the initiation of negotiations.

The next step involves the preparation and execution of the contract of sale, transfer of documents, and reimbursement of owner's incidental expenses. If the sale cannot be negotiated, initiation of condemnation proceedings should begin or you may decide not to acquire the property.

If negotiations are successful, a contract of sale should be prepared and executed, and transfer of documents secured. You must reimburse the owner to the extent it deems "fair and reasonable" for incidental costs associated with transfer of title (i.e., recording fees, transfer taxes, penalty costs or other charges for prepayment of any pre-existing recorded mortgages).

At the conclusion of settlement, you should provide the owner with a Statement of Settlement Costs which identifies all settlement costs regardless of whether they are paid at, before, or after closing, and must clearly separate charges paid by the owner. If a title or escrow company is used, the standard settlement statement form is acceptable. The Statement of Settlement Costs should be dated and certified as true and correct by the person handling the transaction. You should obtain a receipt for the purchase price and place it in the acquisition file.

If you cannot negotiate the sale, condemnation proceedings may be instituted. If you decide not to acquire the property after you have forwarded a Notice of Decision to Appraise or made a firm offer to acquire, you shall notify the owner and tenants, in writing by registered mail, return receipt requested, of your intention not to acquire the property (see Section VI for a sample notice), and that any person moving from the property thereafter will not be eligible for relocation payments and assistance. This notice should be sent within 10 days following your decision not to acquire the property.

NOTE: Condemnation can be substantially more expensive than negotiations. You are required to pay the amount established by the court. It is advisable to avoid condemnation and secure a successful acquisition by negotiation when at all possible.

D. Records.

You must maintain readily available records in sufficient detail to demonstrate compliance with the section 104(d) and URA acquisition and relocation regulations. These records shall be retained for at least: three years after, (a) the date the person has received all of the assistance to which the person was entitled, or (b) the date the project is completed; **or four years from the date the final expenditure report is submitted by the grantee to the Department under the standard agreement.** The record shall include the copies of all documentation given to you and the notices and checklists (see Section VI for some samples). Maintain a separate case file on each displaced person for **four years from: the date the final expenditure report is submitted by the Grantee to the Department under the standard agreement;** or after the date of final relocation payment, whichever is later.

of escrowed funds. Upon completion of all rehabilitation activities utilizing such a third party or grantee controlled account, return any unspent funds to your program account to complete additional rehabilitation activities. These funds are not to be treated as program income.

Any interest or investment revenue earned on these accounts, after deducting any service charges for the account, must be remitted to the Department at least quarterly.

6. Subsidiary records: If your local system does not allow you to account for the receipt and disbursement of CDBG funds to the level of detail required under items A.1 and 2 above, you should use subsidiary records to account for the grant funds. The subsidiary records must be supported and reconciled to the official accounting records. Subsidiary records can also be used to account for accrued costs reported to the Department.
 7. Review of expenditures: You should have your local program staff review and approve vouchers and invoices to make sure the items are eligible costs pursuant to your contract and program regulations and that the cost is charged to the correct grant and program activity.
 8. Other files: Besides the books listed above, your financial recordkeeping system should include correspondence between you and the Department regarding budget changes or authorizing any contract amendments, and the results and response to any fiscal monitoring findings. The State will monitor any files related to the grant including those of subrecipients, contractors and any administrative entity.
 9. Records retention: All records pertaining to your CDBG grant must be retained for **four years from: the date the final expenditure report is submitted by the grantee to the Department under the standard agreement; or completion and resolution of the audit and/or any litigation; whichever is later.** If there are any litigation, claim, or audit findings that extend beyond this four-year period, you must retain the records until all litigations, claims, or audit findings involving the records have been resolved. Records for property acquired with grant funds shall be retained for five years after final disposition. **Records for any displaced person shall be retained for four years from: the date the final expenditure report is submitted by the grantee to the Department under the standard agreement; the person has received a final relocation payment.**
- B. Program recordkeeping**. An Accounting and Recordkeeping Checklist is available in Section VI, Supporting Materials. You may want to photocopy these pages and clip and use the applicable checklists for your filing system. All original contract documents should be kept in a fire-proof file with copies kept in other locations including the files noted on the Checklist. Some items should be kept in multiple locations for ease of reference and use.

Y N 30. Is the grantee prepared to keep all payroll records for at least **four years after the final expenditure report is submitted by the Grantee to the Department**? If no, discuss:

*Y *N 31. Did the grantee submit a Final Wage Compliance Report or Labor Standards Enforcement Report? If no, discuss:

- ◇ Paint Stabilization. All deteriorated paint surfaces must be stabilized before the homebuyer moves into the home. If paint testing of a deteriorated surface reveals no LBP, then paint stabilization is not required on that surface.
- ◇ Safe Work Practices. The owner/contractor must use safe work practices when conducting paint stabilization. Safe work practices include safe work methods, occupant protection, worksite preparation, and cleanup.
- ◇ Clearance. After the completion of work, the home must pass clearance. Clearance must happen before occupancy if the home is vacant or immediately after receipt of Federal assistance for a home currently occupied.
- ◇ Ongoing Maintenance: Maintenance is not required in the CDBG Program.
- Costs. In order to provide maximum flexibility, the party responsible for paying for lead hazard evaluation and reduction in homebuyer programs depends upon program design and local requirements. Costs may be borne by the administering agency, the seller, the homebuyer, or a combination of the preceding.
- Notification: The notification process is the same as for rehabilitation activities.

Support Services and Operations

Support Services and Operations programs that assist in buying, renting, improving, operating or maintaining housing are covered by these regulations. Programs that provide services, such as medical care, education, or food service are not considered housing assistance and are not covered by the regulations. However, HUD recommends that efforts be made to assure that facilities providing these types of support services are lead-safe, if they are frequented by children less than 6 years of age.

Exemptions

If the housing assistance being provided is for less than 100 days, the assistance is exempt. For example, if a transitional housing unit that does not meet the definition of a zero-bedroom exemption, provides housing to several families for no more than 100 days, it is exempt from the provisions of Subpart K. The 100-day time limit applies to the dwelling, not the individuals or families.

15. MAINTENANCE AND RECORD KEEPING

Maintenance

Maintenance is not required under the CDBG program.

Record Keeping

Notices, evaluation, clearance and abatement reports must be kept at least **four** years and must be made available for Department review.

- Record Keeping: Records must be kept for at least **four** years, but it is recommended that lead-based paint records be kept indefinitely. The following records should be kept:
 - ◇ Information on age of property, age of children living at property, existing information on Children's blood lead levels, existing information on lead-based paint,
 - ◇ Inspection report or documentation of Visual Assessment,
 - ◇ Disclosure statement,
 - ◇ Clearance report,
 - ◇ All notifications,
 - ◇ Documentation of required certifications or training, and
 - ◇ Documentation indicating receipt of the pamphlet.